

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 198

Short Title: Modify Jobs Tax Credit.

(Public)

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Sponsors: Representatives Lineberry; Hasty and Bowman.

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Referred to: Commerce.

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February 13, 1989

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CHANGES TO THE TAX CREDIT FOR  
CREATING JOBS IN SEVERELY DISTRESSED COUNTIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-130.40 reads as rewritten:

**"§ 105-130.40. Credit for creating jobs in severely distressed county.**

(a) Credit. A corporation that (i) for at least 40 weeks during the year has at least nine ~~employees, employees and~~ (ii) is located, for part or all of its taxable year, in a severely distressed county ~~county, and (iii) is eligible as provided in subsection (b),~~ may qualify for a credit against the tax imposed by this Division by creating new full-time jobs with the corporation in the severely distressed county during that year. A corporation that hires an additional full-time employee during that year to fill a position located in a severely distressed county is allowed a credit of two thousand eight hundred dollars (\$2,800) for the additional employee. A position is located in a county if (i) at least fifty percent (50%) of the employee's duties are performed in the county, or (ii) the employee is a resident of the county. The credit may not be taken in the income year in which the additional employee is hired. Instead, the credit shall be taken in equal installments over the four years following the income year in which the additional employee was hired and shall be conditioned on the continued employment by the corporation of the number of full-time employees the corporation had upon hiring the employee that caused the corporation to qualify for the credit. If, in one of the four years in which the installment of a credit accrues, the number of the corporation's full-time employees falls below the number of full-time employees the company had in the year in which the corporation qualified for the credit or the position filled by the

1 employee is moved to another county, the credit expires and the corporation may not  
2 take any remaining installment of the credit. The corporation may, however, take the  
3 portion of an installment that accrued in a previous year and was carried forward to the  
4 extent permitted under subsection (e) of this section.

5 ~~The North Carolina Employment Security Commission shall determine the number  
6 of new full-time jobs eligible for the credit allowed by this section by comparing the  
7 average number of full-time employees reported by the corporation on the quarterly  
8 wage reports submitted to the Commission during the year with the number reported the  
9 previous year, and shall provide that information to the Secretary of Revenue annually  
10 for each employer eligible under subsection (b) of this section.~~

11 For the purposes of this section, a full-time job is a position that requires at least 1,600  
12 hours of work per year and is intended to be held by one employee during the entire  
13 year. A full-time employee is an employee who holds a full-time job.

14 (b) ~~Eligibility. A corporation is eligible for the credit allowed by this section  
15 only if it engages in manufacturing, agribusiness, processing, warehousing, wholesaling,  
16 retailing, research and development, or a service-related industry, as determined by the  
17 Employment Security Commission.~~

18 (c) County Designation. A severely distressed county is a county designated  
19 as such by the Secretary of the Department of Commerce. Each year, on or before  
20 December 31, the Secretary of the Department of Commerce shall designate which  
21 counties are considered severely distressed, and shall provide that information to the  
22 Secretary of Revenue. A county is considered severely distressed if its distress factor is  
23 one of the twenty highest in the State. ~~State and it has an unemployment rate of seven  
24 percent (7%) or more.~~ The Secretary shall assign to each county in the State a distress  
25 factor which is the sum of (1) the county's rank in a ranking of counties by rate of  
26 unemployment from lowest to highest and (2) the county's rank in a ranking of counties  
27 by per capita income from highest to lowest. In measuring rates of unemployment and  
28 per capita income, the Secretary shall use data from the North Carolina Employment  
29 Security Commission and the United States Department of Commerce for the most  
30 recent thirty-six month period for which data is available. A designation as a severely  
31 distressed county is effective only for the calendar year following the designation.

32 (d) Planned Expansion. A corporation that, during the year in which a county is  
33 designated as a severely distressed county, signs a letter of commitment with the  
34 Department of Commerce to create at least twenty new full-time jobs in that distressed  
35 county within two years of the date the letter is signed qualifies for the credit allowed by  
36 this section even though the employees are not hired that year. The credit shall be  
37 available in the income year after at least twenty employees have been hired if such  
38 hirings are within the two-year commitment period. The conditions outlined in  
39 subsection (a) apply to a credit taken under this subsection except that if the county is  
40 no longer designated a severely distressed county after the year the letter of  
41 commitment was signed, the credit is still available. If the corporation does not hire the  
42 employees within the two-year period, the corporation does not qualify for the credit.  
43 However, if the corporation qualifies for a credit under subsection (a) in the year any  
44 new employees are hired, it may take the credit under that subsection.

1 (e) Limitations. The sale, merger, acquisition, or bankruptcy of a business, or  
2 any other transaction by which an existing business reformulates itself as another  
3 business, does not create new eligibility in a succeeding business with respect to jobs  
4 for which the predecessor was not eligible under this section. A successor corporation  
5 may, however, take any installment of or carried-over portion of a credit that its  
6 predecessor could have taken if it had taxable income. Jobs transferred from one county  
7 in the State to another county in the State shall not be considered new jobs for purposes  
8 of this section. A credit taken under this section may not exceed fifty percent (50%) of  
9 the tax imposed by this Division for the taxable year, reduced by the sum of all other  
10 credits allowed under this Division, except tax payments made by or on behalf of the  
11 corporation. Any unused portion of the credit may be carried forward for the  
12 succeeding five years."

13 Sec. 2. G.S. 105-151.17 reads as rewritten:

14 **"§ 105-151.17. Credit for creating jobs in severely distressed county.**

15 (a) Credit. – A person who (i) for at least 40 weeks during the year has at least  
16 nine ~~employees, employees and~~ (ii) whose business is located, for part or all of his  
17 taxable year, in a severely distressed county ~~county, and (iii) who is eligible as provided in~~  
18 ~~subsection (b)~~ may qualify for a credit against the tax imposed by this Division by  
19 creating new full-time jobs with the business in the severely distressed county during  
20 that year. A person who hires an additional full-time employee during that year to fill a  
21 position located in a severely distressed county is allowed a credit of two thousand eight  
22 hundred dollars (\$2,800) for the additional employee. A position is located in a county  
23 if (i) at least fifty percent (50%) of the employee's duties are performed in the county, or  
24 (ii) the employee is a resident of the county. The credit may not be taken in the income  
25 year in which the additional employee is hired. Instead, the credit shall be taken in  
26 equal installments over the four years following the income year in which the additional  
27 employee was hired and shall be conditioned on the continued employment by the  
28 taxpayer of the number of full-time employees the taxpayer had upon hiring the  
29 employee that caused the taxpayer to qualify for the credit. If, in one of the four years  
30 in which the installment of a credit accrues, the number of the taxpayer's full-time  
31 employees falls below the number of full-time employees the taxpayer had in the year in  
32 which the taxpayer qualified for the credit or the position filled by the employee is  
33 moved to another county, the credit expires and the taxpayer may not take any  
34 remaining installment of the credit. The taxpayer may, however, take the portion of an  
35 installment that accrued in a previous year and was carried forward to the extent  
36 permitted under subsection (e) of this section.

37 ~~The North Carolina Employment Security Commission shall determine the number~~  
38 ~~of new full-time jobs eligible for the credit allowed by this section by comparing the~~  
39 ~~average number of full-time employees reported by the taxpayer on the quarterly wage~~  
40 ~~reports submitted to the Commission during the year with the number reported the~~  
41 ~~previous year, and shall provide that information to the Secretary of Revenue annually~~  
42 ~~for each employer eligible under subsection (b) of this section.~~

1 For the purposes of this section, a full-time job is a position that requires at least  
2 1,600 hours of work per year and is intended to be held by one employee during the  
3 entire year. A full-time employee is an employee who holds a full-time job.

4 (b) Eligibility. — ~~A taxpayer is eligible for the credit allowed by this subsection  
5 only if he owns a business that engages in manufacturing, agribusiness, processing,  
6 warehousing, wholesaling, retailing, research and development, or a service-related  
7 industry, as determined by the Employment Security Commission.~~

8 (c) County Designation. — A severely distressed county is a county designated  
9 as such by the Secretary of the Department of Commerce. Each year, on or before  
10 December 31, the Secretary of the Department of Commerce shall designate which  
11 counties are considered severely distressed, and shall provide that information to the  
12 Secretary of Revenue. A county is considered severely distressed if its distress factor is  
13 one of the twenty highest in the State. ~~State and it has an unemployment rate of seven  
14 percent (7%) or more.~~ The Secretary shall assign to each county in the State a distress  
15 factor which is the sum of (1) the county's rank in a ranking of counties by rate of  
16 unemployment from lowest to highest and (2) the county's rank in a ranking of counties  
17 by per capita income from highest to lowest. In measuring rates of unemployment and  
18 per capita income, the Secretary shall use data from the North Carolina Employment  
19 Security Commission and the United States Department of Commerce for the most  
20 recent thirty-six month period for which data is available. A designation as a severely  
21 distressed county is effective only for the calendar year following the designation.

22 (d) Planned Expansion. — A person who, during the year in which a county is  
23 designated as a severely distressed county, signs a letter of commitment with the  
24 Department of Commerce to create at least twenty new full-time jobs in that distressed  
25 county within two years of the date the letter is signed qualifies for the credit allowed by  
26 this section even though the employees are not hired that year. The credit shall be  
27 available in the income year after at least twenty employees have been hired if such  
28 hirings are within the two-year commitment period. The conditions outlined in  
29 subsection (a) apply to a credit taken under this subsection, except that if the county is  
30 no longer designated a severely distressed county after the year the letter of  
31 commitment was signed, the credit is still available. If the taxpayer does not hire the  
32 employees within the two-year period, he does not qualify for the credit. However, if  
33 the taxpayer qualifies for a credit under subsection (a) in the year any new employees  
34 are hired, he may take the credit under that subsection.

35 (e) Limitations. — The sale, merger, acquisition, or bankruptcy of a business, or  
36 any other transaction by which an existing business reformulates itself as another  
37 business, does not create new eligibility in a succeeding business with respect to jobs  
38 for which the predecessor was not eligible under this section. A taxpayer may,  
39 however, take any installment of or carried-over portion of a credit that his predecessor  
40 could have taken if he had taxable income. Jobs transferred from one county in the State  
41 to another county in the State shall not be considered new jobs for purposes of this  
42 section. A credit taken under this section may not exceed fifty percent (50%) of the tax  
43 imposed by this Division for the taxable year, reduced by the sum of all other credits

- 1 allowed under this Division, except tax payments made by or on behalf of the taxpayer.
- 2 Any unused portion of the credit may be carried forward for the succeeding five years."
- 3           Sec. 3. This act shall become effective for taxable years beginning on or after
- 4 January 1, 1989.